PRINCE EDWARD ISLAND

GRAIN ELEVATORS CORPORATION

Fifth

Annual Report

FOR THE CROP YEAR ENDED JULY 31ST

1982

KENSINGTON
PRINCE EDWARD ISLAND

The HONOURABLE PROWSE CHAPPELL

Minister of Agriculture

Province of Prince Edward Island

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honor of submitting herewith the Fifth Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of operations and the Provincial Auditor's financial statement for the fiscal crop year ending July 31, 1982.

Respectfully submitted:

BOARD OF DIRECTORS

Prince Edward Island

Grain Elevators Corporation

FIFTH ANNUAL REPORT

OF

THE PRINCE EDWARD ISLAND GRAIN ELEVATORS

CORPORATION

For the Fiscal Year Ending July 31, 1982

BOARD DIRECTORS

Aike Wilting	President
John Callaghan	Vice-President
B. B. Jones	Secretary-Treasurer
Keith Bernard	Director
Blair Wood	Director
Gordon Williams	Director
Harold Cairns	Director
Dave Faulkner	Special Advisor

HEAD OFFICE AND MARKETING STAFF

Donald McCarthy	Acting General Manager
Doris Campbell	Corporation Accountant
Debra Bryanton	Clerk/Typist

ELEVATOR OPERATIONS STAFF

No. 1 Elevator – Kensington, P.E.I.

Clive Drummond	Manager
Kenneth McCarville	Assistant Manager
David Mallett	Elevator Worker
Gary Montgomery	Elevator Worker

No. 2 Elevator – Roseneath, P.E.I.

J. Ronald Somers	Manager
Bill McGuigan	Elevator Worker

No. 3 Elevator – Elmsdale, P.E.I.

Donald McCarthy	Manager
Edmond Gaudet	Elevator Worker

The Prince Edward Island Grain Elevators Corporation is a Crown Corporation of the Province of Prince Edward Island under the authority of the Minister of Agriculture.

The Prince Edward Island Grain Elevators Corporation was established under Bill No. 49, at the 4th Session, 43rd General Assembly; 26 Elizabeth 11, 1977.

OBJECTIVE OF THE CORPORATION

The Objective of the Corporation is to stimulate local feed grain production and to bring uniformity to the market through marketing of local grain on Prince Edward Island and throughout the Atlantic Provinces.

The Prince Edward Island Grain Elevators Corporation provides a central marketing, drying, storage and distribution outlet to the grain producer, livestock feeder and the feed industry.

FINANCIAL PARTICIPATION

The Prince Edward Island Government provides funding to purchase grain and funds for the Corporations operating costs. These funds are returned to the Provincial Treasury from the sale of grain and services provided by the Corporation through drying charges, handling and elevator charges, storage and interest charges.

1981-1982 CROP YEAR CONDITIONS

The 1981 - 1982 crop year was an average year resulting in an average crop.

MARKETING CONDITIONS

Purchasing of grains by local and mainland users was slower than previous years. The Corporation had to carry over a substantial amount of grain at year end. This carry over was due to the entire economic conditions -

with less livestock to feed, the price of all grains dropping in the spring making imports of Western grain and Ontario Corn cheaper than Island grain, which was based on a pooled average cost, feeders were able to feed Western grain.

NUMBER OF PRODUCERS AND USERS OF GRAIN

USING THE GRAIN ELEVATORS SYSTEM

This report covers the crop year August 1, 1981, to July 31, 1982, which was the fifth year of operation for the Prince Edward Island Grain Elevators Corporation, the ninth year for the Kensington Grain Elevator, the fifth year for the Roseneath Grain Elevator and the fourth year for the Elmsdale Grain Elevator.

The following is a breakdown of buyers and sellers who are using the grain elevators system:

Kensington (No. 1):	There were approximately 200 buyers of grain. There were approximately 280 cheques issued to Island grain producers for a total of $896,466.
Roseneath (No. 2):	There were approximately 100 buyers of grain. There were approximately 190 cheques issued to Island grain producers for a total of $549,270.
Elmsdale (No. 3):	There were approximately 125 buyers of grain. There were approximately 222 cheques issued to Island grain producers for a total of $530,566.

The average price paid to the Island grain producer was as follows: Barley – $138.56 m.t.; Oats – $109.30 m.t.; Wheat – $139.60 m.t.

The average price paid for Western grains was as follows:

Barley	–	$161.76
Oats	–	$156.71
Wheat	–	$194.04
Corn	–	$153.82
Soybean	–	$410.47

VOLUME OF HANDLINGS AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat purchased		
Kensington No. 1	269.061	
Roseneath No. 2	342.308	
Elmsdale No. 3	25.310	
Total		639.679
Western Wheat purchased		
Kensington No. 1	1308.075	
Roseneath No. 2	438.647	
Elmsdale No. 3	—	
Total		1746.722
Total Wheat purchased		2383.401
Island Oats purchased		
Kensington No. 1	1022.035	
Roseneath No. 2	1357.103	
Elmsdale No. 3	908.124	
Total		3287.262
Western Oats purchased		
Kensington No. 1	339.617	
Roseneath No. 2	—	
Elmsdale No. 3	53.990	
Total		393.607
Total Oats purchased		3680.869

	Metric Tonnes	
Island Barley purchased		
Kensington No. 1	5445.634	
Roseneath No. 2	2416.908	
Elmsdale No. 3	3172.908	
Total		11034.646
Western Barley purchased		
Kensington No. 1	848.541	
Roseneath No. 2	229.207	
Elmsdale No. 3	———	
Total		1077.748
Total Barley purchased		12112.394
Ontario Corn purchased		
Kensington No. 1	2304.020	
Roseneath No. 2	597.624	
Elmsdale No. 3	599.268	
Total Corn purchased		3460.912
Soybean meal purchased		
Kensington No. 1	989.059	
Roseneath No. 2	———	
Elmsdale No. 3	———	
Total Soybean purchased		989.059
Total grain purchased		22626.635

VOLUME OF SALES AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat Sold		
Kensington No. 1	357.885	
Roseneath No. 2	320.231	
Elmsdale No. 3	8.479	
Total		686.595
Western Wheat Sold		
Kensington No. 1	1194.148	
Roseneath No. 2	577.191	
Elmsdale No. 3	—	
Total		1771.339
Total Wheat sold		2457.934
Island Oats sold		
Kensington No. 1	1943.156	
Roseneath No. 2	760.786	
Elmsdale No. 3	613.671	
Total		3317.613
Western Oats sold		
Kensington No. 1	380.302	
Roseneath No. 2	—	
Elmsdale No. 3	84.216	
Total		464.518
Total Oats sold		3782.131

	Metric Tonnes	
Island Barley sold		
Kensington No. 1	4083.365	
Roseneath No. 2	1709.044	
Elmsdale No. 3	2330.377	
Total		8122.786
Western Barley sold		
Kensington No. 1	932.600	
Roseneath No. 2	228.108	
Elmsdale No. 3	23.612	
Total		1184.320
Total Barley sold		9307.106
Ontario Corn sold		
Kensington No. 1	2367.910	
Roseneath No. 2	581.011	
Elmsdale No. 3	580.864	
Total Corn sold		3529.785
Soybean sold		
Kensington No. 1	821.294	
Roseneath No. 2	94.480	
Elmsdale No. 3	78.960	
Total Soybean sold		994.734
Total Grain sold		20071.690

The reason that one elevator may have sold more than it purchased of each type of grain is the transfers between elevators are not recorded as a sale until actually sold to a user.

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors

of Prince Edward Island Grain Elevators Corporation

I have examined the balance sheet of Prince Edward Island Grain Elevators Corporation as at July 31, 1982 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1982 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in inventory valuation ad indicated in Note 2 of the financial statements

T. KAPTEIN, C.A.

Auditor General

Charlottetown,

Prince Edward Island

November 9, 1982

STATEMENT 1

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
BALANCE SHEET
JULY 31, 1982

(with comparative figures at July 31, 1981)

ASSETS

	1982	1981
Current Assets		
Cash	$ 80,231	$ –
Accounts Receivable – Note 3	737,864	1,014,464
Prepaid Expenses	25,511	10,426
Inventory of Grain – Note 1	478,091	147,698
	1,321,697	1,172,588
Fixed Assets – Note 4	25,220	33,002
Property Under Capital Lease – Note 5	526,366	561,653
	$1,873,283	$1,767,243

LIABILITIES AND EQUITY

Current Liabilities		
Bank Overdraft	$ –	$ 127,721
Accounts Payable	50,260	13,870
Current Portion of Obligation Under Capital Lease	28,005	26,019
Allowance for Contingent Loss – Note 9	45,000	25,000
Due to Province of Prince Edward Island	1,168,650	714,023
	1,291,915	906,633
Long Term Liabilities		
Advances – Province of Prince Edward Island – Note 6	343,903	343,903
Obligation Under Capital Lease – Note 7	521,914	549,919
	865,817	893,822
Equity		
Retained Earnings, Beginning of Year	(33,212)	21,268
Income (loss) for the year	(251,237)	(54,480)
	(284,449)	(33,212)
	$1,873,283	$1,767,243

(Notes 1 to 10 are an integral part of these financial statements)

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME
YEAR ENDED JULY 31, 1982

(with comparative figures at July 31, 1981)

	1982	1981
Sales	$3,400,201	$4,515,641
Cost of sales		
Inventory, Beginning of year	147,699	247,905
Purchases	3,243,640	3,722,816
Freight – Net of Assistance	178,452	227,197
	3,569,791	4,197,918
Inventory, End of year	478,091	147,698
	3,091,700	4,050,220
Gross Profit on Sales	308,501	465,421
Other Income – Note 8	252,325	158,933
	560,826	624,354
Expenses		
Salaries and Benefits	234,948	204,713
Interest – Short Term	117,314	82,723
Interest – Long Term	59,238	50,038
Power, Light and Water	86,553	63,118
Repairs and Maintenance	42,433	50,677
Capital Lease Interest	48,156	42,883
Capital Lease Amortization	35,287	31,115
Loss on Guaranteed Debt – Note 9	20,000	25,000
Office	33,919	24,532
Bad Debt	3,814	17,206
Insurance	13,667	16,468
Telephone and Telegraph	12,030	10,479
Truck	46,533	14,890
Field Supplies and Equipment	8,646	9,505
Depreciation	8,718	8,510
Travel	6,428	7,101
Household and Clothing	5,105	5,860
Advertising	9,018	3,879
Honorariums	10,185	3,850
Professional Services	7,335	3,748
Miscellaneous	2,736	2,539
	812,063	678,834
Income (loss) for the year	$ (251,237)	$ (54,480)

(Notes 1 to 10 are an integral part of these financial statements)

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 1982

1. Summary of significant accounting policies:

   a) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, 1% of the remaining accounts is included in the allowance.

   b) Interest is charged to trade accounts receivable customers at the rate at which the Province of Prince Edward Island charges the Corporation plus 6%. This rate started at 2.25% in August, rose to 2.42% in September, then fell to 2% and rose to 2.25% again by July.

   c) Inventory is valued at the lower of cost or market. This year the market price was lower than cost, thus the value of ending inventory is based at market.

   d) Depreciation on fixed assets is charged at rates of 10%, 20%, or 33 1/3% on a straight line basis depending on the estimated useful life of the asset.

2. During the year the Corporation decided to change the inventory valuation from first-in, first-out to the lower of cost or market. This has the effect of increasing the loss for the year by $54,652.

3.

	1982	1981
Accounts Receivable – Trade	$ 551,168	$ 712,802
Less: Allowance for Doubtful Accounts	24,280	20,506
	526,888	692,296
Accounts Receivable – Special Bin...	179,074	272,266
– Freight Assistance	12,497	48,889
– Other	19,405	1,013
	$ 737,864	$1,014,464

4. Fixed Assets

	1982	1981
Fixed Assets (cost)	$ 42,448	$ 41,512
Less: Accumulated Depreciation	17,228	8,510
	$ 25,220	33,002

The amount of depreciation charged to expenses was $8,718.

5. Property Under Capital Lease

	1982	1981
Property (cost)	$ 610,698	$ 610,698
Less: Accumulated Amortization	84,332	49,045
	$ 526,366	$ 561,653

The Property Under Capital Lease is amortized on a straight-line basis over the term of the lease. The amount of amortization charged to expense was – 1982 – $35,278; 1981 – $31,115.

6. Advances issued to the Corporation by the Province of Prince Edward Island are for working capital purposes. Interest is charged to the Corporation at the long-term rate charged on advances to crown agencies.

7.

	1982	1981
Obligation Under Capital Lease	$ 549,919	$ 575,938
Less: Current portion	28,005	26,019
Long Term	$ 521,914	$ 549,919

The following is a schedule of future minimum lease payments under the Capital Lease expiring July 2, 1997 together with the balance of the Obligation Under Capital Lease.

	1982
Year ending July 31	
1983	$ 74,174
1984	74,174
1985	74,174
1986	74,174
1987	74,174
Subsequent years	570,446
Total minimum lease payments	941,316
Less: Amounts representing interest st – 10%	298,715
– 6.5%	92,682
Balance of the Obligation	$ 549,919

8. Other Income

	1982	1981
Handling and Drying	$ 100,720	$ 92,835
Storage Fees	34,542	35,793
Service Charges	65,518	21,949
Hedging	22,548	–
Miscellaneous	28,997	8,356
	$ 252,325	$ 158,933

9. Contingent Liability

In 1978 an account receivable of $89,000 was assigned to the Prince Edward Island Lending Authority. The Corporation has guaranteed repayments to the Authority. At July 31, 1982 the amount outstanding was $98,212. The mortgage was in default at that time. At July 31, 1982 there is a likely loss of $45,000 on this account which has been charged against income.

10. During the year the RCMP conducted an investigation into suspected theft at the Grain Elevators. This resulted in charges being laid against the General Manager, and subsequent conviction. This will result in $18,404 being returned to the Corporation as restitution.